

# **EXHIBIT 14**

# Hardship in the Big Easy:

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How Sodexo's practices leave  
New Orleans workers in poverty

As the floodwaters were receding in 2005, Sodexo sent press releases pledging to help support recovery efforts. Almost five years later, despite being a major employer in the New Orleans area, Sodexo has failed to live up to its promises.

Even in these tough economic times, there are few cities in the United States in greater need of good jobs and solid economic development than New Orleans. Five years after Hurricane Katrina, the city is still struggling to rebuild its infrastructure and housing stock. Nearly one in four New Orleanians lives below the poverty line—almost double the poverty rate for the country as a whole.<sup>1</sup>

Sodexo is the market leader in school food service management in the New Orleans area—and sets employment standards for thousands of New Orleanians. Workers at Sodexo's nonunion accounts in New Orleans make as little as \$8 an hour. And although workers at Sodexo's unionized Recovery School District account generally fare better than their nonunion counterparts, some of them also earn wages low enough to qualify them for public assistance.

As a community, we must hold Sodexo and other irresponsible contractors accountable for their behavior. Sodexo workers from across New Orleans have come together to demand their basic rights: the right to a decent wage and to be treated with respect and dignity on the job. We call on Sodexo to honor its commitments to New Orleans and to act as a responsible member of the community.

## Sodexo—Recession Proof. At what cost?

Sodexo is a global company, with more than 355,000 employees in 80 countries, that provides contracted services such as food, janitorial and other facilities management services. Even during the economic downturn from fiscal year 2008–2009, Sodexo's overall revenues were up by almost 8 percent to almost \$20 billion and their operating profit grew by more than 8 percent.

Sodexo operates many types of settings, including universities, corporate cafeterias, healthcare facilities and K-12 schools. Sodexo partners with companies to provide services at some controversial operations around the world, including, among other things, building and managing private prisons; operating a wide range of services at remote mining camps; and providing food, laundry and facilities services at offshore oil rigs.

## Sodexo in New Orleans

Sodexo is one of the largest employers in the New Orleans region. Sodexo has an estimated 1,200 employees in the state; Universal Sodexo, the company's division that specializes in offshore work, ranked 33<sup>rd</sup> among the largest employers in the region.<sup>2</sup> This puts Sodexo on par with some of the largest employers in the state, including Tulane Medical Center and the U.S. Army Corps of Engineers.

Sodexo dominates the higher education food services market in the greater New Orleans area. Sodexo has almost half the market, including prestigious accounts such as Tulane and Loyola. Statewide, Sodexo has more higher education accounts than other food service contractor in Louisiana, including several state university campuses such as University of Louisiana–Lafayette, Nicholls State and Northwestern State University. Sodexo currently holds 79 percent of the K-12 contracted food service market in the New Orleans area and 75 percent statewide, by enrollment.

## Economic Recovery

**Trapped: The “cycle of poverty” that Sodexo claims it wants to end starts with a job at Sodexo.**

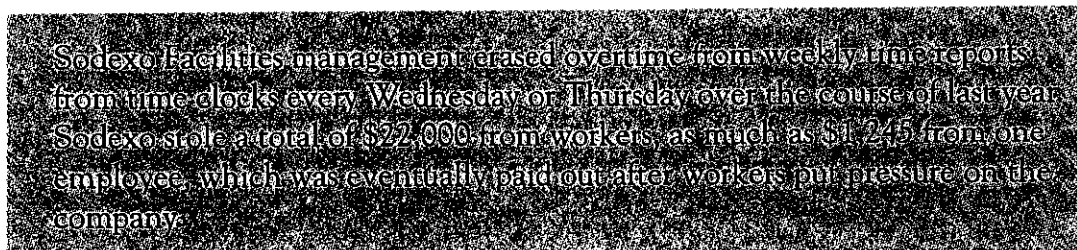
The gap between Sodexo's public position on poverty issues and their record as an employer is quite wide. While the Sodexo Foundation says it is “committed to ending hunger in the United States by fighting its root causes, including poverty, unemployment and lack of education,” as well as “being a driving and creative force that contributes to a hunger-free nation,”<sup>3</sup> many Sodexo employees who work full time still qualify for many of the federal anti-hunger and rent subsidy programs, not to mention the other pieces of the federal, state and local safety net. Ultimately, these costs are borne by our nation's taxpayers while Sodexo continues to turn a profit. It's telling that even in these tough economic times, Sodexo recently reported that its 2009 revenues were up 7.9 percent (to \$19.85 billion) and operating profits were up 8.1 percent (to \$19 billion).<sup>4</sup>

Sodexo's operating profits were up 8.1 percent in 2009 to \$19 billion and the company says it is “committed to ending hunger in the United States.” Yet, many of its full-time employees are paid so little they qualify for taxpayer-funded anti-hunger programs.

## Wage theft: See a need, steal from the needy?

With as little as many Sodexo workers are paid, it's especially remarkable that there are numerous allegations that workers at the company sometimes don't even receive everything the company owes them.

Here in New Orleans, Sodexo facilities management erased overtime from weekly time reports from time clocks every Wednesday or Thursday over the course of last year. This occurred 3,066 times and affected 150 employees. In total, Sodexo stole \$22,000 from workers, in amounts ranging from \$2.02 to as much as \$1,245 from one employee. The workers were able to recoup their stolen wages after putting pressure on Sodexo, however, the managers responsible for erasing the hours are still in place.



However, this is not the only time Sodexo has engaged in wage theft of its low-wage workers:

- In August 2008, the U.S. Department of Labor found that eight Sodexo food service workers at Alderson-Broadbush College in Philippi, W.Va., were due \$1,334.22 in back wages for meal breaks they didn't take. Sodexo automatically deducted the breaks from their paychecks, even though employees often weren't able to take their scheduled breaks. This wasn't the first time that Sodexo had shorted workers at the university. The Department of Labor noted that "this establishment has a previous history" that includes investigations of 28 cases, including one in July 1997 in which 148 employees were found to be owed \$62,081 "due to error in totaling time cards."
- In July 2007, the DOL found that five Sodexo food service employees at Bel-Aire Nursing Home (also known as Extendicare) in Lower Burrell, Pa., also were not properly compensated because of the same sort of improper automatic deductions. These employees received a total of \$2,931.40 in back pay and a penalty of \$1,100 was levied on Sodexo.
- In August 2004, Sodexo janitors at the Cherry Hill, N.J., school district, were awarded \$4,279.32 and a \$2,860 penalty levied against the company after the U.S. Department of Labor found that "the company had employees working off the clock and was having employees use two time cards to keep track of overtime." The investigation found that 13 employees were owed 24 hours of overtime apiece. According to the DOL's case narrative, "Employees in some school came into the workplace and started to work and then did not punch in until their scheduled time or they would punch out and then go back to work."

## Stuck in the Safety Net: Many Sodexo Workers Qualify for Federal Anti-Hunger and Rent Subsidy Programs

One value that our nation holds dear is the idea that if you work hard you should be able to earn a decent living, take care of your family and maybe even save a little for the future. But far too often, Sodexo workers who put in 40 hours a week feeding our children, taking care of hospital patients and doing other essential but often thankless work can't even rise above the poverty line.

We looked at the eligibility requirements of the three largest and most important federal anti-hunger programs—the Supplemental Nutrition Assistance Program (SNAP, what used to be known as food stamps); the Special Supplemental Nutrition Program for Women, Infants and Children (commonly known as WIC); and the National School Lunch Program—and compared them to the earnings of two

typical Sodexo workers. We assumed that workers had the option of working year-round, though in fact that is a very generous assumption. Many Sodexo workers in school districts and at universities are actually laid off over the summer and holiday breaks and so have to scramble to find additional income for those short periods.

We analyzed two wage points reported by Sodexo workers with whom we have spoken: a low of \$8 per hour and a somewhat higher wage of \$10.01 per hour. At both of these wage levels, we found that a family of four would still qualify for food stamps, WIC and free or reduced-price school lunches.

### **Struggling Below the Poverty Line**

According to the U.S. Department of Health and Human Services' 2009 Poverty Guidelines, which are used as the basis for determining eligibility for many public anti-poverty programs, the poverty line for a family of four was \$22,050 for 2009 and the first part of 2010.<sup>5</sup> A Sodexo employee who works full time, year-round making \$8 per hour earns just \$16,640 per year, far below the poverty line. Even an employee who earns \$10.01 an hour fails to climb above the poverty line for a family of four, making just \$20,821 per year.

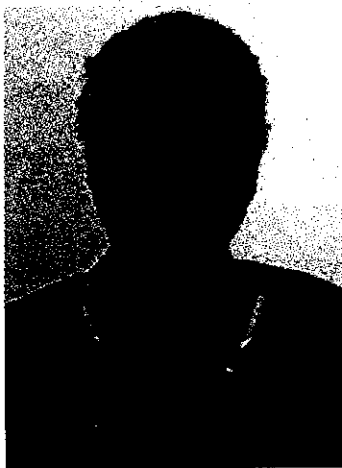
### **Eligibility for SNAP, WIC and the National School Lunch Program**

Sodexo claims a special connection to anti-hunger issues because of its role as a food service company. But the fact is that many of its employees are eligible to participate in the nation's anti-hunger programs. At the same time, Sodexo helps deliver meals to low-income children through the National School Lunch Program, the children of many of its employees actually are eligible for free- and reduced-price meals through the program because Sodexo fails to pay their parents adequate wages. And while Sodexo trumpets its diversity and the opportunities available to women in the company (including the fact that 57 percent of Sodexo employees are women), many of those workers and their children are actually eligible for the WIC program that seeks to combat malnutrition among new mothers and their young children.

Program Requirements			
	SNAP (Food Stamps)	WIC	School Lunch
Eligibility Requirements:	Net income has to be less than 130% of the poverty line (poor families with significant assets or savings beyond that annual income may not qualify)	Household is eligible at 185% of the federal poverty guideline	Children are eligible for free meals if their household income is below 130% of the poverty line, after subtracting meals from income below 185% of the poverty line
Eligibility Threshold: Family of four	\$28,665	\$40,793	130% for free meals, at 180% of poverty line \$40,793 for reduced price meals at 185% of the poverty line
For a Sodexo worker making \$8 per hour:			
Annual Income:	\$16,640		
Qualifies for Program?	✓	✓	✓
Number of Hours Employee Would Have to Work Per Week to Exceed Program Eligibility Threshold	69 hours	79 hours	69 (for free lunch) 79 (for reduced price lunch)
For a Sodexo worker making \$10.01 per hour:			
Annual Income:	\$20,821		
Qualifies for Program?	✓	✓	✓
Number of Hours Employee Would Have to Work Per Week to Exceed Program Eligibility Threshold	56 hours	79 hours	56 (for free lunch) 79 (for reduced price lunch)

## No Place to Call Home: Stable housing is out of reach for service workers.

By 2009, rent in New Orleans was 40 percent higher than pre-Katrina.<sup>6</sup> The Greater New Orleans Community Data Center found that many workers in occupations with high labor shortages—such as food preparation workers and cooks—could not afford the fair market rent for even an efficiency apartment. Maintenance workers—another category with large vacancies—were generally found to be able to afford an efficiency or a one-bedroom apartment, but a two-bedroom apartment remained out of reach for these workers, as well.<sup>7</sup>



In nearly five years working for Sodexo, I've only had two raises. I started at \$7.65 an hour and my first raise brought me to \$8 an hour. My second raise was 12 cents so now I'm making \$8.12 an hour.

I'm struggling with my bills right now. I live with my sister and brother-in-law and if it wasn't for them I'd be sinking. I share the mortgage and help pay the electricity bill, which is most of my check. The only way I'm making it is because of my family.

A respectable paycheck wouldn't put Sodexo in the hole. Here it is: I'm 52 years old with a check every two weeks at \$360, I can barely afford to eat having to pay all my bills.

### **Anthony Thomas**

*Sodexo Utility, Tulane University  
New Orleans*



**As a mother of three kids, I'm having a really hard time making ends meet on Sodexo's wages.** I make \$11 an hour and take home up to \$330 a week—but if I have to miss one or two days because I or my kids get sick, my paycheck can be as little as \$150.

**I've been on food stamps for over a year now, but the food stamps don't cover all the food I need to feed my growing kids.**

I live in a low-income housing area. My rent is \$300 a month, but my light and water bill is so expensive—around \$400 more a month.

### **Zarassa Harris**

*Sodexo Custodian, Recovery School District  
New Orleans*

## Taxpayers Shoulder the Burden

A recent article in *The New York Times* noted that food stamp use is at a record high, with more than 36 million people relying on the program for basic necessities. The program now feeds one in eight Americans and one out of every four children.<sup>8</sup> While food stamp use is growing, the same is also true of both the Women Infants and Children (WIC) nutritional program and the National School Lunch Program. Along with the number of people participating in these programs, the cost of the benefits that taxpayers provide is growing as well.

	SNAP (Food Stamps)	WIC <sup>5</sup>	School Lunch
Program Cost, 2006	\$17.35 billion	\$3.98 billion	\$7.56 billion
Program Cost, 2008	\$37.65 billion	\$6.21 billion	\$11.7 billion
Percent Increase in Cost	12.3%	56%	53%
Percent Increase in Total Participation	65% increase in number of people in the program	21% increase in the number of people in the program	20% increase in the number of free and reduced-price lunches served under the program

The drain on public services and the taxpayers who foot the bill is especially dangerous in a city that is already struggling to rebuild in the midst of a recession that has put public services into a state of crisis all across the country. According to the Greater New Orleans Community Data Center, slowed consumer spending has contributed to "a plunge in city sales tax revenues with 21 percent fewer receipts from general sales, motel/hotel stays and motor vehicle purchases in April [2009]... compared to the previous year."<sup>9</sup> And according to the U.S. Census Bureau, nearly one in four New Orleanians lives below the poverty line: 24 percent compared to 13 percent nationwide.<sup>10</sup>



### Navigating the flood waters of Sodexo-provided health insurance “options”

Sodexo does not offer affordable healthcare options to its food service and similar employees. Two-thirds of nonmanagerial Sodexo employees in the United States are not covered by health insurance offered by the company. Similar to the national average, out of the more than 300 Sodexo employees in the Recovery School District who recently filled out a survey conducted by the union, 61 percent stated that they are not covered by health insurance offered by the company and they are not covered by any other health insurance.

While Sodexo employees are offered health insurance options, the cost to the employee is often prohibitively expensive except for the most basic of plans. The HMOs that Sodexo offers in many individual markets generally have an employee cost of just over \$120 per pay period for family coverage.

For a full-time, seasonal worker who earns \$8 per hour, that means spending a quarter of his or her annual income on healthcare, leaving little for other basic necessities. Even for somewhat higher-paid, year-round workers making \$10.01 an hour (who still earn just below the poverty line for a family of four), paying the employee premium would eat up 15 percent of their annual income.

Sodexo does offer some lower-cost plans, but the benefits can be very limited. For the BasicNet plan, for example, annual hospital costs are capped at \$2,000, preventive care costs are capped at \$100 per year and outpatient surgery costs are capped at \$400 per year. The PPO option, while somewhat better, still has a maximum out-of-pocket cost of \$5,000 per individual, which by itself could lead a family who already is hovering at or below the poverty line into bankruptcy if a serious medical issue arises.



**I started with Sodexo earning \$9 an hour and eight years later I earn \$9.26. My weekly take home pay is usually around \$312. I have three children of my own and also help take care of my sisters' children. My sisters and I are very close and I could never turn my back on them if they needed me.**

After working all the way up until I went into labor with my youngest son, I came back early from my maternity leave. I needed the money and went back to work a little over a month after having my baby. I wasn't ready—I was exhausted. My body wasn't healed yet and I had to walk up to the third floor every day—I was the only custodian on at night for two months. And they wouldn't give me the lead custodian pay even though I was doing all of the work.

**I don't earn enough to take care of the kids, so I had to get creative.** I knew that people liked my cooking, so I started to sell suppers to the community as a second job.

#### **Tiyanina Landry**

*Sodexo custodian, Recover School District  
New Orleans*

## Public Contracts:

In addition to contracts with private clients such as Tulane and Loyola University, Sodexo has several public clients throughout Louisiana. Rather than setting a higher standard in these contracts, Sodexo is “double dipping” from Louisiana taxpayers by profiting from publicly funded contracts while paying workers wages so low that in some cases they must rely on public assistance.

Although we have not yet received Sodexo’s current food service, maintenance or custodial contracts from public information requests to the Recovery School District (RSD), what we do know about Sodexo’s food service and facilities contracts with RSD makes clear that millions of taxpayer dollars are no longer under public control.

The district issued a purchase order for Sodexo food service and delivery costs worth \$7.3 million in the 2008–2009 school year.<sup>11</sup> And because of a \$2.6 million purchase of kitchen equipment, the total Sodexo purchase order was even higher the previous year, at \$9.3 million, despite a smaller number of meals.<sup>12</sup> The district’s proposed budget for the 2009–2010 school year included approximately \$7.3 million for food service management<sup>13</sup>, as part of the \$7.5 million food service budget<sup>14</sup>.

During the first part of the 2008–2009 school year, Sodexo invoiced the district \$240,069.69 per month for custodial, \$283,319.71 per month for maintenance and \$91,738.63 per month for groundskeeping services, for a total facilities bill of \$615,128.03 per month.<sup>15</sup> The invoices were written to allow room to expand the contract as more schools opened, but even if the contract was not expanded, the total yearly bill would have been nearly \$7.4 million.

- **We estimate the total value of RSD’s Sodexo contracts at \$14.7 million during the 2008–2009 school year.**

And although we have not received operating budgets or financial statements that would allow us to evaluate Sodexo’s financial performance in the Recovery School District, we do know something about Sodexo’s contracts in other districts, such as the School District of Philadelphia.

Sodexo holds a contract to provide janitorial services to 22 high schools in the School District of Philadelphia, a contract that it then subcontracts to Philadelphia-area contractor Team Clean. As of April 2009, the school district was paying Sodexo \$1,072,015 per month to clean these 22 schools. Less than half of that—an estimated \$488,630—was going to pay approximately 220 cleaners doing the work. Based on an earlier version of Sodexo’s contract with the school district, administrative overhead and supplies would be approximately \$94,979 per month. This leaves nearly half a million dollars per month in the hands of Sodexo and its subcontractor, for an estimated total of \$5,860,872 per year.

The entire community in Philadelphia would have been better served had the funds been used for education rather than going to Sodexo and Team Clean. Based on an average Pennsylvania teacher salary of \$53,258 plus 25.9 percent of salary spent on benefits (for a total cost of \$67,052 per teacher), the amount of extra money that the Philadelphia schools pay Sodexo would be enough to hire or retain an additional 87 teachers per year.

Besides draining school budgets of valuable funds that could be used for core services, the wages paid by Sodexo's subcontractor contribute to the larger crisis of public funding by passing along hidden costs to taxpayers. Many of the janitors who clean Philadelphia high schools could qualify for taxpayer-funded public assistance, such as food stamps, heating assistance and the WIC nutritional program.

In its higher education contracts, Sodexo frequently offers a donation to a university in exchange for more favorable contract terms, including ones that may force students to choose from a limited number of meal plans. Sodexo recently made headlines at the University of Louisville, where the company pledged to invest \$11 million in improvements to the dining system in exchange for mandatory meal plans for commuter students.<sup>16</sup> By instituting the mandatory plan, university officials estimated the number of students enrolled in Sodexo meal plans would jump from 2,200 to almost 11,000.<sup>17</sup> However, Sodexo's donations do not appear to lower costs for students' meal plans. At the University of Louisville, students, who were already struggling with increased costs, rallied to get the mandatory meal plans overturned. State lawmakers are supporting the student's efforts by sponsoring a bill that would limit the fees paid by commuter students.<sup>18</sup>

In Louisiana, we know that most of the universities where Sodexo has the food service account have mandatory meal plans. At the University of Louisiana at Lafayette, Sodexo promised \$6 million in renovations for the student dining center<sup>19</sup>. Full-time students at UL-Lafayette have little choice in their meal plan options: students may choose from one of three mandatory meal plans, all of which cost the same price (a total \$2,300 for the academic year).<sup>20</sup>

Campus	Mandatory meal plan?	Donation by Sodexo?
Tulane <sup>9</sup>	✓	✓
Loyola <sup>10</sup>	✓	
UL-Lafayette <sup>11</sup>	✓	✓
Nicholls State <sup>12</sup>	✓	✓

## Quality of service

Louisiana taxpayers are not seeing much quality for the amount of money they are paying Sodexo. Sodexo's poor quality service is most acutely seen in its work in K-12 schools, where the repercussions of the company's poor food quality, understaffing and basic safety concerns affect the next generation of New Orleanians.

### Poor Quality of Food Service in K-12

Rebuilding the city's educational institutions is fundamental, not only to redeveloping the city's current infrastructure, but also to developing strong, vibrant future generations of New Orleanians. By the spring of 2009, when universities marked the graduation of the "Katrina class," total public and private school enrollment in K-12 had grown to 78 percent of pre-Katrina levels.<sup>21</sup> It is important to ensure that New Orleans' elementary and secondary students—many of whom come from disadvantaged households and may lack proper nutrition at home—get healthy meals in a clean and safe environment.

Staying within tight budget constraints requires a balance between achieving necessary cost savings and maintaining the quality services needed to keep the school running. Too often, Sodexo has cut corners on costs at the expense of the job they were hired to do. Teachers and principals have complained that Sodexo inadequately staffed the food service, custodial, or maintenance work at their schools.

In New Orleans, principals and other staff complained about Sodexo's understaffing of food service resulting in food delivered late and about food running out—as often as two or three times per week at one school. Morning staffing schedules sometimes required Sodexo employees to arrive only 15 minutes before food was to be served and chronic lateness in serving lunch at one school had a clear effect on instructional time.

In 2008, at one RSD elementary school, black plastic was found in a Sodexo-provided drink carton. At a high school, students became ill after drinking tainted orange juice later found to have mold on the container; and students at another school were served spoiled milk.

According to complaints at a teacher's advisory meeting in New Orleans, menu items were repeatedly not being served; required components, including milk, were not being served; and students in all grades were being served the same portions.

RSD saw teachers take to wiping their own tables and received complaints from an area homeowners association regarding unacceptable maintenance of school grounds. Sodexo has been slow to act on a number of maintenance requests—including broken windows and doors—according to some school officials, which could create security risks in the schools.

At the New Orleans Public Schools (NOPS), Sodexo lost the facilities account after the district issued a cure notice in June 2008 warning of "sub-standard and inconsistent" service, followed by a second cure notice in January 2009 with some of the same basic complaints.

In addition to complaints about the state in which Sodexo left the districts' schools, both cure notices state: "Currently, your staff performs work without using schedules, cannot provide documentation for work that has been completed, has reduced its staff without first informing the OPSB, does not have adequate equipment for performing the statement of work and does not perform satisfactorily maintenance functions for seven Orleans Parish Schools."

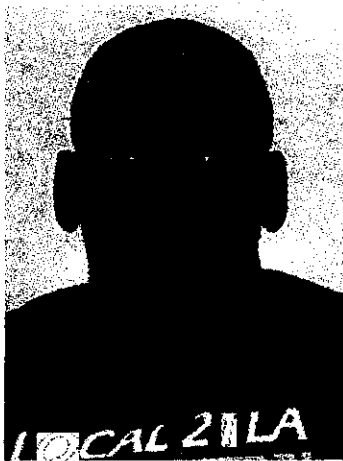
### Inconsistent Quality in Higher Ed

Quality of service in Sodexo's higher education accounts varies depending on the school. At Nicholls State, the least expensive meal plan is \$1,230 per semester and all students living in the residence halls must purchase a meal plan.<sup>22</sup> In multiple grievances filed with the student government association, Nicholls students identified Sodexo quality and service as one of the top student grievances for the fall semester in 2008.<sup>23</sup> The student grievance complained that "Sodexo does not serve a variety of meals such as 2 or more fruits, limited grilled cheese, hot dogs on some days, undercook fish, sloppy pizza and sometimes the juice machine will squirt out water instead of the actual drink."<sup>24</sup> Meanwhile, Sodexo delivers high quality food to students at Loyola University in New Orleans, which is reportedly on the verge of being ranked nationally for its high food quality<sup>25</sup>.

### Sodexo Workers Try To Rebuild Their Lives After Hurricane Katrina

In the days following Hurricane Katrina, Sodexo released multiple press releases highlighting the company's relief efforts, including "providing financial resources to assist affected employees with temporary housing and providing for salary continuation."<sup>26</sup> Longtime Sodexo workers affected by Hurricane Katrina tell a different story about the company's efforts.

As workers try to rebuild their lives, many find that Sodexo's poverty wages are not enough to help them regain what they lost during the hurricane.



**I'm living penny to penny. I make it and give it away.** I have to take two paychecks to pay a bill.

I have a 2008 Chevy Impala—I am proud of my car. **Katrina took my other car and I went without one for years.** Having a car is really important to me to have transportation to and from work and anywhere I want to go—it is freedom. But my car loan is \$400 a month and I also pay \$240 a month for my car insurance.

I live with my brother in our parents' house. The house is paid off but the light, water bill and food all add up. I have a \$400 light bill I am struggling to pay.

I am left with nothing after all of my bills.

#### Leroy Griffin

*Sodexo plumber, Recovery School District  
New Orleans*



"I've been here the longest out of anyone I know. I never imagined I would be here 40 years. Since this is a prestigious college, I bragged that I worked at Tulane University and the people that I've met over the years. I was hoping to move my way up—and climb the ropes—to management. I was glad to be working at a university. We had benefits when I started, like hospitalization.

Now I make \$9.51 an hour. I am paid every two weeks and typically take home \$450. I pay \$350 a month in rent.

The Sunday before the storm hit, my mother and I evacuated to the Superdome. The first day, my mother passed out from the heat. She was bed ridden and in a wheel chair. We were in the Superdome for one week. Since she was so ill, they took her somewhere else, without telling me—and then they loaded us up and drove us away somewhere else. I had no idea where I was until we were right outside of Dallas. This was the scariest thing I ever had to go through—not knowing if my mother was OK. My mother was a tough lady—she was a domestic worker—she lost her voice due to mini strokes.

I was in Dallas for a week—in the convention center. I found a worker who helped me search for my mother—my family members found out we were separated and started searching. As soon as I knew that she was in a nursing home in Morgan City, I caught a plane back to Louisiana.

I started working again in September 2006—a year later. In that year after the storm, I was moving from hotel to hotel. My mother's house had over six inches of water. When we returned, there was mildew everywhere and everything was destroyed.

My mother owned a home but we couldn't afford the taxes after the storm so it's blighted—\$11,000 in taxes were owed. Memories come back to me when I see that house—memories of my childhood and teenage years. I lived in that house my whole life. Since 2000, I had to take care of my mother more intensively—there was a sitter—she couldn't be left alone.

I heard about the assistance program through Sodexo. They gave us money right after Katrina—it was based on how many quarters you had worked—I received \$2,000—they were offering to put people up on campus, but that went belly-up.

I was the cashier since 1975 and would wish students good luck on their exams and tell them what was good to eat that day. I was a fixture at the cash register. Some come back for alumni week and they stop by Bruff Commons to see if I'm still here. Or if they were on campus or in town they swing by—that's a plus. Knowing that the kids appreciate what I do gets me through the work.

After all of those years—it was heartbreaking after all of those years to show back up after Katrina—after all I had already been through—they didn't even have the respect. It was like they hit me in the face when they told me to go upstairs and clean the tables. I can't even think about it, it's too painful. If I thought about it, I would have cracked from stress. I'm a proud woman so I'm going to do my job no matter what they tell me to do but this isn't fair. I'm going to make it work no matter what and focus on the positive.

**Joyce Bradley**  
*Food Service Worker*  
Tulane University



"I lost everything I had in Hurricane Katrina. Just before the storm hit, my boyfriend and I drove his car to Baton Rouge and got a hotel room. We stayed there for three days and watched what was happening on television.

We saw our neighborhood on TV and the whole place was under water. I knew that my house was gone, along with my car and everything I owned. We couldn't go back so we just drove to Texas—to Houston. I was happy to just get out of New Orleans alive because I know a lot of people who didn't make it. I had a close girlfriend who died.

Before the storm, I worked for Sodexo at the school district. In the aftermath, all Sodexo did was offer to give us a payout based on our vacation time. I didn't have any vacation—and none of my coworkers that I know did either. I can't believe that they didn't offer to help us at all.

I miss having a house. What I miss most about it is that it was something I earned. I had the comfort of knowing that it was mine. Now I'm renting an apartment and trying to rebuild, but it's hard to do on Sodexo's wages. They pay me \$12.75 an hour. I can't afford the insurance, which costs \$88 a week.

When I'm sick, I go to the health clinic at LSU. They determine your eligibility by income and I qualify. I go every year for an annual checkup and each appointment costs \$20. Right now I have a sinus infection so I went to the clinic. They gave me antibiotics, which cost me \$8.

New Orleans still has a long way to go in order to rebuild. We need more stores, more hospitals and more good jobs to get back to where we were. The economic situation today makes it even harder on the city.

It's going to take a long time but we're ready to work hard to make it happen. I'm hoping Sodexo will do its part too."

**Zella Dase**

*Food Service Worker*  
Loyola University

## Working Together to Hold Sodexo Accountable

Workers from across New Orleans are standing up to raise standards for Sodexo workers. At Dillard and Xavier universities, Sodexo workers have already made progress in raising their wages and benefits and are standing with workers such as Terry Shelly, from Sodexo's account at Loyola University, in their struggle to improve their working conditions. Workers have filed an Unfair Labor Practice charge against Sodexo for firing Terry, who has been an outspoken advocate for the union.



I worked as a cashier in the Orleans Room cafeteria at Loyola University for five years. I earned \$8.65 per hour. In five years, I received two raises, one was 15 cents and the second was 24 cents an hour increase. That was a slap in the face, but I didn't let it discourage me from doing the job I was hired to do.

I started to get involved in forming a union after meeting with other Sodexo workers from across the country at a conference held in New Orleans and I became a vocal supporter at Loyola. I was on union fliers and less than a month later, I was fired for my union activity.

I had no opportunity for advancement at Sodexo. I believe in equal rights, I believe in fairness—but I didn't find that in my experience working for Sodexo. I couldn't even afford the health insurance they offered—I would have had to pay more than \$60 per paycheck, which would eat into my family's budget for food and bills.

When I joined with my co-workers to form a union, I was standing up for an opportunity to move up, voice my opinions without any retaliation from management, have better medical benefits and have a better pay raise.

I've always had to work two jobs to support my children and now I help take care of my granddaughter. I sent my children to private school their whole lives—I sacrificed for my children to have a better life and be in a better environment. They were my motivation for working so hard. Now I just wish that I could do the same for my granddaughter, or at least take her out on the weekends. But now, without my job I'm just going on faith that God will provide for me as I seek work in this tough economy.

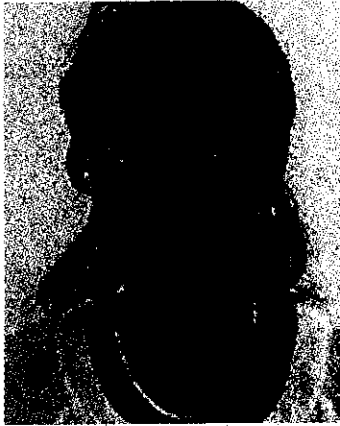
I would go above and beyond to keep my job—there's nothing I wouldn't do. I feel they were just looking for any reason to fire me because I spoke out and was a vocal supporter for a union. I think they fired me to make an example out of me to scare my co-workers.

Looking back, I wouldn't have done anything differently. To my co-workers I'd like to say, hold your head up and keep strong. Don't let management discourage you from forming a union, because the things we are trying to win are worth standing up for.

### **Terry Shelly**

*Food Service Worker*  
Loyola University





I was glad we won a pension, because I've worked at Dillard since 2004—and I'm getting up in age and that will help me to retire. Without the pension I didn't have anything saved. Retirement was just a dream. We all deserve a break after long years of working.

I couldn't afford the health insurance before. It's better now. I needed insurance, I was paying everything out of pocket. I would have to go to Daughters of Charity clinics for care. Now, I can go to any hospital or any doctor that I want to go to without sitting and waiting. I have my own doctors for different specialties now. It really gives me peace of mind.

It feels good to have regular raises. Before, I was making \$10 an hour and I wasn't getting any raises. We get 50 cents a year—a quarter every six months. That little bit adds up—builds up to something. It was better than the 10 cent raise yearly. Now I know what I get every six months instead of wondering what Sodexo will give us.

I won more than a voice at work—I already spoke up and stood up for myself—I realized that I could use my voice to support and speak out for others when they are scared.

### **Joynell Henderson**

*Food Service Worker  
Loyola University*

## **Policy recommendation:**

Sodexo is a leading employer and has benefitted from its relationship with New Orleans. We call on Sodexo to act as a responsible member of the New Orleans community and to help workers rebuild their lives and their communities.

**1. Commit to rehiring university workers after the summer vacation.** Workers routinely are laid off over the summer months and rehired again in the fall. Now that workers are speaking out to raise standards at Sodexo, some fear that they will not be hired back by Sodexo in the fall. To assure workers there will be no retaliation for union support and to assure students the workers will return to their campus in the fall, we ask Sodexo to state publicly that they will recall workers from lay-off status to the same position that they held at the end of the previous academic year. This means that workers will be offered the same position, following the same schedule, at the same locations. If fewer positions are needed in the fall, the workers will be recalled based on their years of service at the university.

**2. Pay wages that raise workers out of poverty.** As an industry leader and a major employer, Sodexo has a responsibility to pay decent wages that can support workers and their families. We call on Sodexo to pay its workers fair wages that help them rebuild their homes, their lives and their community.

**3. Treat workers with dignity and respect.** We call on Sodexo to respect the rights of Sodexo workers who are organizing to raise standards, not just here in New Orleans but across the country.

## End Notes:

- 1 U.S. Census Bureau 2006-2008 American Community Survey 3-Year Estimates, Data Profile Estimates for the City of New Orleans, available at [http://factfinder.census.gov/servlet/ACSSAFFacts?\\_event=Search&geo\\_id=&\\_geoContext=&\\_street=&\\_county=new+orleans&\\_cityTown=new+orleans&\\_state=04000US22&\\_zip=&\\_lang=en&\\_sse=on&pctxt=fph&pgsl=010](http://factfinder.census.gov/servlet/ACSSAFFacts?_event=Search&geo_id=&_geoContext=&_street=&_county=new+orleans&_cityTown=new+orleans&_state=04000US22&_zip=&_lang=en&_sse=on&pctxt=fph&pgsl=010), last accessed March 27, 2010.
- 2 Estimates are from 2007-2008 CityBusiness Book of Lists. <http://gnoinc.org/research-statistics/largest-employers-region>
- 3 Sodexo Foundation Web Site, [http://www.sodexoofoundation.org/hunger\\_us/mission/mission.asp](http://www.sodexoofoundation.org/hunger_us/mission/mission.asp), accessed December 6, 2009.
- 4 Sodexo press release, "Sodexo announces both revenue and operating profit growth for Fiscal 2009," November 10, 2009, available at [http://www.sodexo.com/group\\_en/press/news/finance/2009/091110-fiscal-2009-annual-results.asp](http://www.sodexo.com/group_en/press/news/finance/2009/091110-fiscal-2009-annual-results.asp).
- 5 U.S. Department of Health and Human Services, available at <http://aspe.hhs.gov/POVERTY/09poverty.shtml>, accessed March 30, 2010.
- 6 Brookings Institute Metropolitan Policy Program and Greater New Orleans Community Data Center, "The New Orleans Index: Tracking the Recovery of New Orleans & The Metro Area," August 2009, available at <http://www.gnocdc.org/NewOrleansIndex/index.html>, last accessed March 27, 2010, pp. 6-7.
- 7 Brookings Institute Metropolitan Policy Program and Greater New Orleans Community Data Center, "The New Orleans Index: Tracking the Recovery of New Orleans & The Metro Area," August 2009, available at <http://www.gnocdc.org/NewOrleansIndex/index.html>, last accessed March 27, 2010, p. 13.
- 8 Jason DeParle and Robert Gebeloff, "Food Stamp Use Soars, and Stigma Fades," New York Times, November 29, 2009.
- 9 Brookings Institute Metropolitan Policy Program and Greater New Orleans Community Data Center, "The New Orleans Index: Tracking the Recovery of New Orleans & The Metro Area," August 2009, available at <http://www.gnocdc.org/NewOrleansIndex/index.html>, last accessed March 27, 2010.
- 10 U.S. Census Bureau 2006-2008 American Community Survey 3-Year Estimates, Data Profile Estimates for the City of New Orleans, available at [http://factfinder.census.gov/servlet/ACSSAFFacts?\\_event=Search&geo\\_id=&\\_geoContext=&\\_street=&\\_county=new+orleans&\\_cityTown=new+orleans&\\_state=04000US22&\\_zip=&\\_lang=en&\\_sse=on&pctxt=fph&pgsl=010](http://factfinder.census.gov/servlet/ACSSAFFacts?_event=Search&geo_id=&_geoContext=&_street=&_county=new+orleans&_cityTown=new+orleans&_state=04000US22&_zip=&_lang=en&_sse=on&pctxt=fph&pgsl=010), last accessed March 27, 2010.
- 11 Louisiana Department of Education, Purchase Order for Sodexo Operations LLC, for the period between July 1, 2007 through June 30, 2008, printed 12/3/07. Obtained by SEIU through public information request. (pages 2 & 3 of PDF file titled "RSD Sodexo food service invoices")
- 12 Louisiana Department of Education, Purchase Order for Sodexo Operations LLC, for the period between July 1, 2008 through June 30, 2009, printed 9/17/08. Obtained by SEIU through public information request. (pages 5 & 6 of PDF file titled "RSD Sodexo food service invoices")
- 13 Recovery School District at New Orleans, FY 2010 Proposed Budget, available at [http://www.rsdl.net/Libraries/Budget\\_Finance/FY\\_2010\\_RSD\\_New\\_Orleans\\_Budget.sflb.ashx](http://www.rsdl.net/Libraries/Budget_Finance/FY_2010_RSD_New_Orleans_Budget.sflb.ashx), last accessed March 27, 2010. Page 9 references "food service management of \$7.3 million" and page 14 breaks down the food service budget and includes \$7,322,450 in "OTHER PURCH. SRVC."
- 14 Recovery School District at New Orleans, FY 2010 Proposed Budget, available at [http://www.rsdl.net/Libraries/Budget\\_Finance/FY\\_2010\\_RSD\\_New\\_Orleans\\_Budget.sflb.ashx](http://www.rsdl.net/Libraries/Budget_Finance/FY_2010_RSD_New_Orleans_Budget.sflb.ashx), last accessed March 27, 2010. Page 8 shows \$7,522,107 for food service operations.
- 15 Louisiana Department of Education, Purchase Order for Sodexo Operations LLC, for the period between July 1, 2008 and February 28, 2009, printed 3/4/09. Obtained by SEIU through public information request. (pages 1 & 2 of PDF file titled "RSD Sodexo facilities contract docs")
- 16 Rodriguez, Nancy. U of L may lower meal plan cost. The Courier-Journal. April 21, 2009
- 17 Rodriguez, Nancy. U of L may lower meal plan cost. The Courier-Journal. April 21, 2009
- 18 Rodriguez, Nancy. U of L students rally against meal plan.. The Courier-Journal. February 2, 2010
- 19 Contract between University of Louisiana at Lafayette and Sodexo; signed July 1, 2009.
- 20 University of Louisiana website, <http://dining.louisiana.edu/plans.shtml>, last accessed April 7, 2010.
- 21 Brookings Institute Metropolitan Policy Program and Greater New Orleans Community Data Center, "The New Orleans Index: Tracking the Recovery of New Orleans & The Metro Area," August 2009, pp. 8-9, available at <http://www.gnocdc.org/NewOrleansIndex/index.html>, last accessed March 27, 2010.
- 22 <http://www.nicholls.edu/housing/campus-meal-plans/>, last accessed April 7, 2010.
- 23 Nicholls State, Notes from Director of Students Rights and Grievances, November 17, 2008
- 24 Nicholls State, Notes from Director of Students Rights and Grievances, September 15, 2008
- 25 Email from Cissy Petty, Vice President for Student Affairs and Associate Provost. Sent to Loyola University community on 1/29/2010.
- 26 Sodexo Press Releases: Relief for victims of Hurricane Katrina, 9/5/05; Sodexo USA and the Sodexo Foundation donate over 500,000 meals to victims of Hurricane Katrina 9/6/05

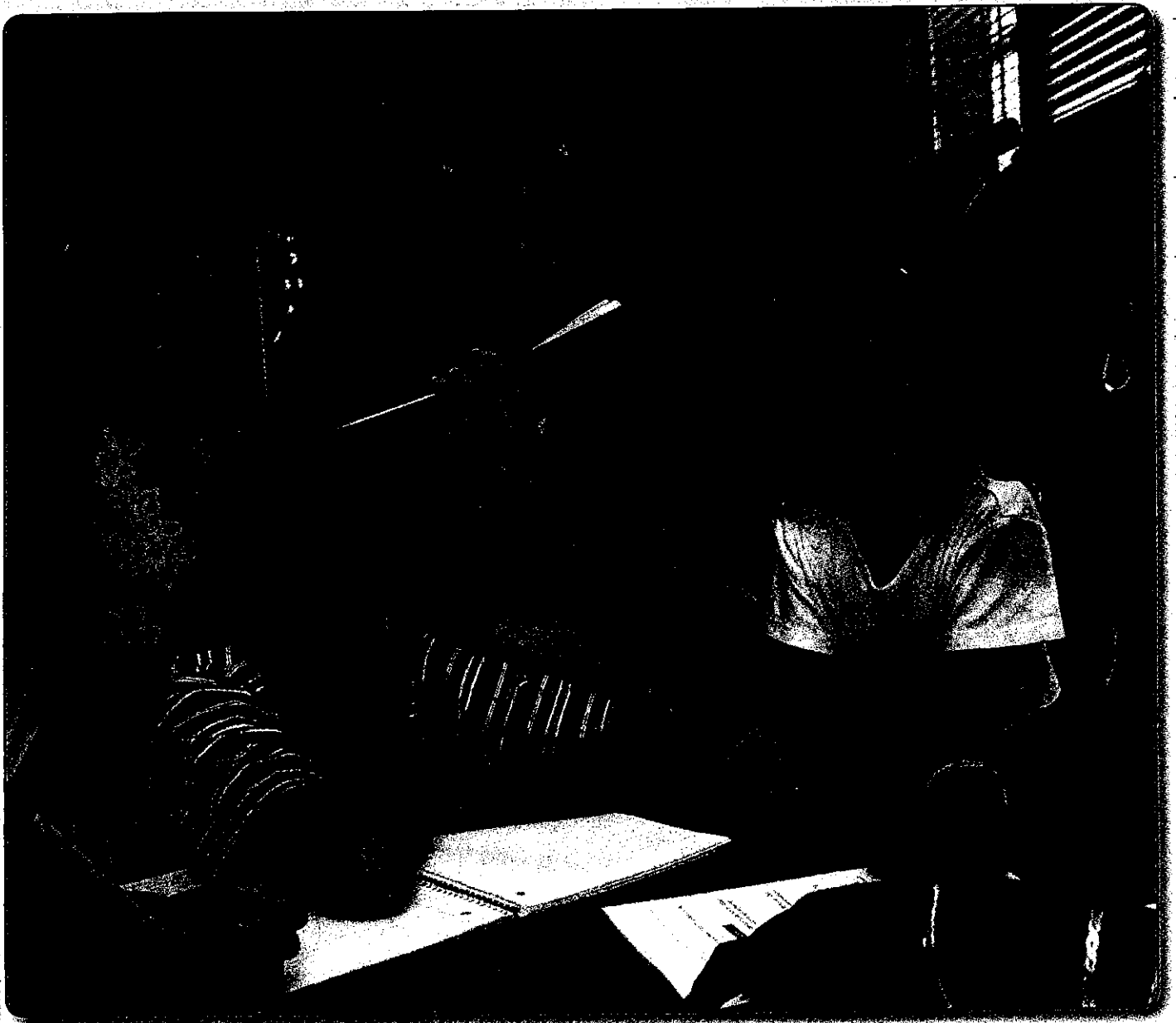


Service Employees International Union, CTW, CLC  
1800 Massachusetts Avenue, NW 20036

# **EXHIBIT 15**

Can you count on your contractor?

# How Sodexo's troubled record leaves school districts footing the bill



## About Us

The Campaign for Quality Services brings together service workers, parents, clergy, policy makers, and community leaders nationwide to improve public services. We are committed to ensuring responsible use of taxpayer dollars to provide better nutrition, increased food safety and healthier buildings for the communities we live in.

The Campaign for Quality Services is a project of the Service Employees International Union (SEIU). With 2.1 million members in Canada, the United States and Puerto Rico, SEIU is the fastest-growing union in the Americas. SEIU members include tens of thousands of front-line food service and janitorial workers in elementary and high schools, universities, hospitals, and long-term care facilities.

[www.campaignforqualityservices.org](http://www.campaignforqualityservices.org)



**Campaign  
for Quality  
Services**



For school administrators whose first priority is ensuring the children in their school district get the best education possible, it's common to hire contractors to handle auxiliary services such as food service, custodial and maintenance work. Contractors promise to deliver better service at lower cost, with the goal of freeing up tight district budgets as well as scarce administrative time to focus on the district's core educational mission. However, some school districts—including many who contract with Sodexo—have found themselves trapped in a situation where outsourcing creates more headaches than it solves either because of poor financial performance or poor management and staffing practices. You can learn from their experience—and from a few key tips from the experts.

## Sodexo Delivers Deficits Instead of Promised Savings

With today's economic crisis, many school districts contract out support services in hopes of realizing cost savings. Some school districts that chose Sodexo, however, have found themselves facing routine deficits.

- In East Greenwich, RI, an independent audit report which identified \$145,000 in deficits over four years in East Greenwich School Department's Sodexo-operated School Lunch Program and poor monitoring of school food service accounts also concluded that "...there [was] a structural deficit built into the contract [with Sodexo], and it continue[d] to grow each year." The auditors recommended that East Greenwich renegotiate the contract with Sodexo to guarantee a small surplus, and reported in their follow-up report that they had done so.<sup>2</sup>
- In 2008, the Atlantic City School District signed a food service contract with Sodexo that only required the company to reimburse the district for deficits that exceeded \$223,961. For the 2009-2010 school year, Sodexo agreed to reimburse the district if it went more than \$189,080 over budget but this guarantee came along with a very large increase in the district's food service funding—a tripling, by one news account—in the food service budget.<sup>3</sup>

Other school administrators have found that Sodexo promised surpluses but delivered deficits instead.

- In Gary, IN, despite promising a \$350,000 surplus verbally when they obtained the contract, according to the School Board President, Sodexo projected a \$772,273 deficit for the following year.<sup>4</sup> The school district chose to terminate the contract.<sup>5</sup>

At still others, cutting ties with Sodexo and running food service in-house is expected to result in cost savings.

- In Plymouth-Canton, MI—where the district decided to eliminate the less healthy but higher-profit a la carte options offered by Sodexo—the district now believes that their new in-house program "could be better-run and save 5 to 6 cents per meal, or \$90,000 a year."<sup>6</sup>
- The Acalanes Union High School District (CA)<sup>7</sup>, the West Lafayette (IN)<sup>8</sup> school district, and Sierra Vista (AZ) are all expecting moderate cost savings in 2009-2010 as they cut ties with Sodexo by bringing their food service programs back in-house.<sup>9</sup>

**"[W]e are going from a (promise of) \$350,000 guaranteed savings to a \$772,273 deficit. I have a real problem with that."**<sup>10</sup>

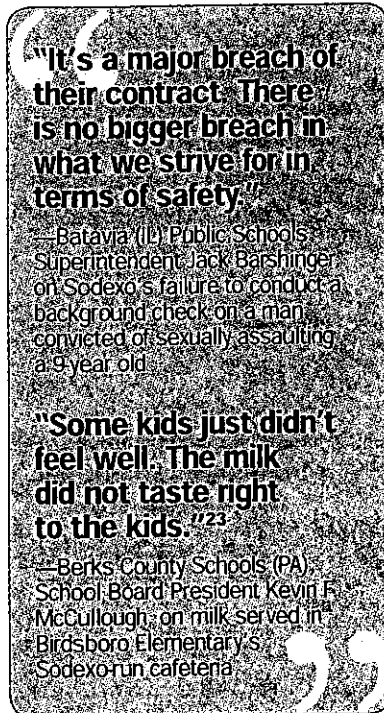
—Gary (IN) School Board President Nellie Moore, on the Sodexo-run food service account.

**"...there is a structural deficit built into the contract, and it continues to grow each year."**

—Parmelee, Poirier & Associates, independent auditor, on Sodexo's contract for food service in East Greenwich, RI.

## Sodexo's Poor Performance Results in School Safety and Liability Concerns

School Districts and their contractors have no higher responsibility than keeping their students safe. By failing to conduct mandatory background checks, Sodexo has not always lived up to that responsibility:



- In Batavia, IL, a man convicted of sexually assaulting a 9-year-old worked three days in the district. Despite their obligation to do so, Sodexo had not conducted a background check on this temporary worker who came from a firm they used for two to three substitute workers each day. Middle School secretaries noticed suspicious behavior and asked Batavia police to run a check on him. "It's a major breach of their contract," said Superintendent Jack Barshinger "There is no bigger breach in what we strive for in terms of safety."<sup>11</sup>
- In the Beaufort (SC) County Schools, a security check completed by the school district in November of 2006 indicated that Sodexo's custodial staff included eight felons. Later, in 2008, two similar security checks indicated that Sodexo's custodial staff (including subcontracted employees of another company) included four individuals with confirmed misdemeanor or felony charges, including one worker that had committed two felonies.<sup>12</sup>

Sodexo has fallen short on the most basic component of every school's plan to minimize risk—ensuring that school buildings are secured properly.

- In New Orleans, LA, Sodexo has been slow to act on a number of maintenance requests—including broken windows<sup>13</sup> and doors<sup>14</sup>—according to some school officials, which could create security risks in the schools.
- In Abilene, TX, several complaints about Sodexo's work centered on a failure to lock school buildings<sup>15</sup> or rooms<sup>16</sup>—sometimes with expensive equipment<sup>17</sup> or confidential student documents.<sup>18</sup>

Minimizing the risk of liability due to unsafe food has become increasingly important in recent years. Unfortunately, not all of Sodexo's school food service operations have received a clean bill of health.

- In New Orleans' Recovery School District, foreign objects such as black plastic have been found in a Sodexo-provided drink carton.<sup>19</sup> Students became ill after drinking tainted orange juice later found to have mold on the container,<sup>20</sup> and students at another school were served spoiled milk.<sup>21</sup>
- In the Berks County Schools (PA), several elementary students became sick after the Sodexo-run cafeteria served them milk they said had an unusual taste. The district superintendent said that children had either a sore throat or stomach ache, due to a sanitizer used to clean milk containers having leaked into the milk itself.<sup>22</sup>

## By Short-changing on Staffing, Sodexo Leaves Jobs Unfinished

Staying within tight budget constraints requires a balance between achieving necessary cost savings and maintaining the quality services needed to keep the school running. Too often, Sodexo has cut corners on costs at the expense of the jobs they were hired to do. Teachers, Principals, and other school officials have complained that Sodexo inadequately staffed the food service, custodial, or maintenance work at their schools.

- In New Orleans, principals and other staff complained about Sodexo's understaffing of food service resulting in food delivered late, and about food running out—as often as 2-3 times per week at one school.<sup>24, 25</sup> Morning staffing schedules sometimes required Sodexo employees to arrive only 15 minutes



before food was to be served,<sup>26</sup> and chronic lateness in serving lunch at one school had a clear effect on instructional time.<sup>27</sup>

- In Lakewood, NJ, teachers complained that after Sodexo cut 21 janitorial positions there was too much work for the remaining staff and that the cleanliness of floors suffered. Even after 4 of the 21 were brought back, complaints about slow progress on repairs continued. Sodexo—in danger of losing the contract—announced the creation of a new floor project team. Sodexo also reversed their previous policy of not providing substitute workers when someone called out or took a vacation day.<sup>28</sup>
- In Beaufort, SC, the district felt that, despite a contractual obligation to maintain adequate staffing levels and provide training, Sodexo was remiss in both of these areas, leading to a failure to ensure preventative maintenance.<sup>29</sup>

## Administrators Forced to "Babysit" Their Sodexo Contract

In Beaufort County, SC, after complaints about Sodexo's lack of follow-up, work orders exceeding 200 days, and principals who'd lost confidence in Sodexo so completely that they stopped submitting work orders all together,<sup>30</sup> the bid evaluation committee recommended the district drop the maintenance contract with Sodexo. "In the end, we should not be burdened by having to baby-sit our contractors and lead them through their work," said contract administrator Bernie Kole.<sup>31</sup>

At the end of Sodexo's second year of facilities work in the Abilene (TX) ISD, Superintendent David Polnick explained that Sodexo's poor performance had "been very demoralizing" in an email to Sodexo VP Ken Cooper in which he explained that for them to be able to continue to contract with Sodexo it was going to take "a lot of supervision and guidance from the head office." Dr. Polnick continued: "I think it is a shame that our people have to check up on work progress and point out what is not being done. I thought that is what we hired your company to do. I wish I had the exact words of the high ranking Sodexo official who spoke for a few minutes at the general session right before President Clinton this past spring at the national conference. It was something to the effect that school administrators that use Sodexo can spend their time on what is important and leave the cleaning to Sodexo. That isn't the case here."<sup>32</sup>

At the New Orleans Public Schools (NOPS), Sodexo lost the facilities account after the district issued a cure notice in June 2008<sup>33</sup> warning of "sub-standard and inconsistent" service, followed by a second cure notice in January 2009<sup>34</sup> with some of the same basic complaints. In addition to complaints about the state in which Sodexo left the districts' schools, both cure notices state: "Currently, your staff performs work without using schedules, cannot provide documentation for work that has been completed, has reduced its staff without first informing the OPSB, does not have adequate equipment for performing the statement of work, and does not perform satisfactorily maintenance functions for 7 Orleans Parish Schools."

In Sierra Vista, AZ, after 17 years with Sodexo, the school board voted to end their food service contract with Sodexo in the middle of the school year. "We were just having difficulties with their management," said Business Manager Michelle Quiroz. "There were some issues with follow-through responsibility."<sup>35</sup>

Sodexo lost the contract for custodial and maintenance services at the St. Louis Public Schools this year. Principals interviewed for the facilities review noted poor conditions and appearance of school buildings, lack of follow-through on maintenance needs, air quality concerns, and that outsourcing facilities management had not produced cleaner or better maintained facilities, which presented a negative image of the schools to the public.<sup>36</sup>

**"[W]e should not be burdened by having to baby-sit our contractors and lead them through their work."**

—Beaufort (SC) County School District Contract Administrator Bernie Kole, on the bid evaluation committee's recommendation to drop the maintenance contract with Sodexo

**"[I]t is a shame that our people have to check up on work progress and point out what is not being done. I thought that is what we hired your company to do."**

—Abilene (TX) ISD Superintendent David Polnick, on the need for his office to provide supervision and guidance because of Sodexo's "demoralizing" performance of facilities work

## Sodexo's Improper Billing Drains School Budgets

The US Department of Agriculture recently implemented new procurement regulations tightening oversight of food and other purchases made by contractors operating school meal programs.<sup>37</sup> The new rules were prompted by two USDA OIG audits that found improper contracting practices had undermined open competition and resulted in food service companies improperly billing School Food Authorities.<sup>38</sup>

**"A manager told me today how he saves money by buying cans of tomato products from his fruit and produce vendor. Please don't let this happen. People should buy the compliant products through their prime vendors. That is where the highest return is."**

-Sodexo Director of Procurement Bob Sulick, on the company's agreements with vendors to return a portion of the food price paid by Sodexo clients to Sodexo itself.<sup>42</sup>

This past March, In These Times ran an investigative report that claimed Sodexo generates hundreds of millions of dollars each year in hidden revenue from kickbacks provided by food manufacturers and distributors, creating inflated food costs for publicly funded schools, hospitals and universities.<sup>39</sup>

The article lead with an allegation made by Rhode Island-based child nutrition advocate Dorothy Brayley that Sodexo was over-charging districts for milk in order to generate hidden back-end revenue. According to the article, at the end of the 2006 school year, a salesman for Garelick Farms, New England's largest dairy, explained to Brayley that Sodexo was paying Garelick more than competitors in order to get a bigger rebate. State Education records showed that Sodexo passed on the price hike, billing schools 24 cents to 27 cents per half-pint, while milk was available from a competing company for only 18 to 21 cents per carton. According to the In These Times report, the loss to RI schools and families resulting from the higher milk prices was more than \$100,000.

More recent school milk price charts obtained from the Rhode Island Department of Education indicate Sodexo's milk prices in SY 2008 continued to be above those of other school food service contractors. State records show that in 2008 Sodexo billed schools participating in the federal Special Milk

Program 23 cents to 27 cents for a half pint of milk while at the same time Aramark was selling the same half-pints to RI districts for 17 cents to 20 cents  
- a difference of up to ten cents per pint.<sup>40</sup>

## Take Steps to Ensure Value by Keeping Your Contractor in Check

Under the new USDA procurement rules<sup>41</sup>, school districts are required to obtain enough information from food service contractors like Sodexo to be able to identify the total amount of discounts, rebates and credits derived from purchases made on their behalf. Districts that do not receive the lowest possible prices from distributors and vendors could be required to cover the additional cost out of the District's general fund.

If your district uses a contractor like Sodexo, make sure that they are providing you with sufficient documentation to prove that the district is receiving the full value of all purchase discounts and rebates. Some state agencies that oversee the school meal programs provide sample price determination forms.

If your district is considering contracting with Sodexo, you also may want to ask the company how its national purchasing strategy that maximizes rebates and discounts would affect your school meal program's ability to request sourcing of fresh, local foods from area farmers and suppliers. Will Sodexo's preference for big national suppliers that offer the company major financial incentives to buy their products have an impact on what is served in your school cafeterias?

## **Consider taking the following steps to make certain your school district is getting the best value and highest quality of service from your food and facilities contractors.**

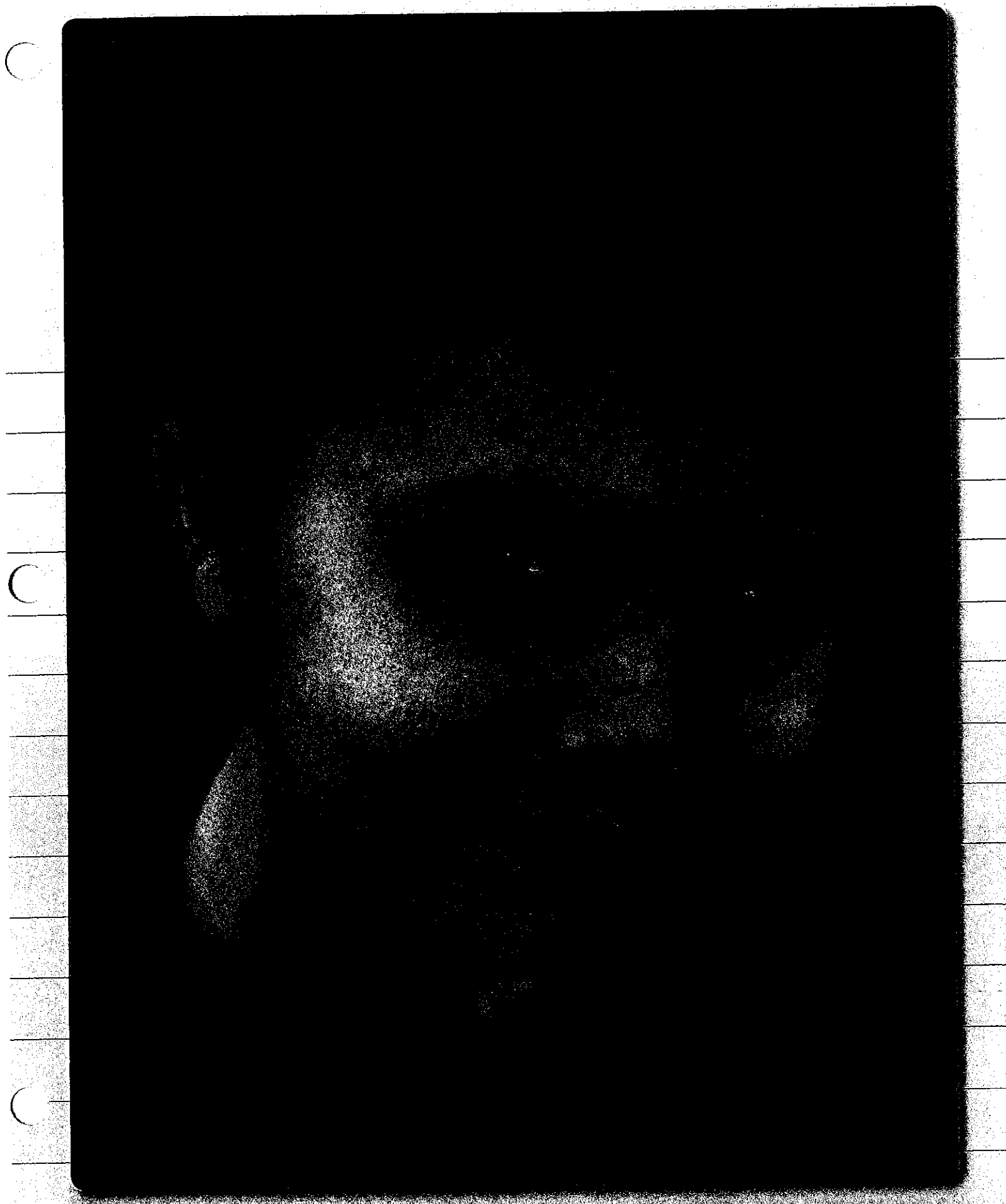
### **Food service contractors:**

- **Check out state model contracts.** Most state agencies administering USDA food programs provide model contracts, many are available online. These contracts offer good examples of how to meet federal and state standards.
- **Protect your district from financial liability.** Be sure to include language in your contract that protects the school district from financial liability if a food service management company fails to meet its obligations.
- **Keep track of monthly invoices and financial reports.** Monthly reviews of reconciliation reports and invoices are a great way to help ensure your school meal program is receiving full value for rebates and USDA donated commodities.
- **Monitor:** Actively monitor your contractor's performance on-site. Make sure you've seen for yourself that food quality, staffing levels, sanitation and customer satisfaction all meet the expectations outlined in your contract.
- **Learn more.** An in-depth guide on negotiating school food service management agreements is available at [www.campaignforqualityservices.org](http://www.campaignforqualityservices.org). This guide includes background and sample language for many key elements of a RFP and final contract, including rebates from vendors; USDA donated commodities; liability insurance; sample schedules for staffing and payroll-related charges; audits; financial reconciliation; meal counts; financial guarantees; state and federal regulation; indemnification; termination; non-performance; and training.



### **Facilities contractors:**

- **Plan ahead.** Make sure your district has developed a solid Facilities Master Plan, and that the terms of the RFP and final contract support this plan.
- **Don't get the short end of the stick.** Establish minimum staffing requirements, and require that your contractor deduct from its monthly invoice an amount equal to any savings they enjoyed by understaffing. School districts should also consider mandating high standards for training and development.
- **Take your time.** Leave plenty of time for final negotiations, read and review all final terms and conditions carefully, and consider choosing a back-up company in case the school district can not reach a satisfactory final agreement with its first choice contractor.
- **Monitor:** Consider conducting a facilities audit to assess the condition of your district's facilities. Follow up with your facilities contractor to ensure they take care of maintenance needs identified through the audit. Actively monitor your contractor's performance on-site. Make sure you've seen for yourself that quality, staffing levels, sanitation and customer satisfaction all meet the expectations outlined in your contract.



- <sup>1</sup> "Independent Auditor's Report of the East Greenwich School Department's School Lunch Program," prepared by Parmelee, Poirier & Associates, LLP, August 15, 2007, obtained by SEIU through public records request. And Providence Journal, "Schools will dump lunch contractor," Lisa Vernon-Sparks, Feb 8, 2008.
- <sup>2</sup> Letter from Parmelee, Poirier & Associates, LLP to the Honorable President, Members of the Town Council and Town Manager of East Greenwich, RI, December 19, 2007, obtained by SEIU through public records request.
- <sup>3</sup> Press of Atlantic City, "Tighter rules on deficits part of food-service deal with Atlantic City schools," Eric Scott Campbell, August 11, 2009.
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[www.campaignforqualityservices.org](http://www.campaignforqualityservices.org)

# **EXHIBIT 16**



Missing the Mark:

# Revisiting Sodexo's Record on Diversity



**A**pril 27, 2010, will mark the five-year anniversary of the 2005 settlement of the class action discrimination lawsuit brought by African American managers against Sodexo, Cynthia Carter McReynolds, et al. v. Sodexo Marriott Services. As part of the settlement, Sodexo agreed to follow diversity and inclusion requirements outlined in a consent decree, which will expire April 27, 2010. Cynthia Carter McReynolds, the lead plaintiff, expressed her optimism when the lawsuit was resolved that the settlement would change the discriminatory practices she and her co-workers experienced at Sodexo: "This lawsuit, I'm hoping, will open up the doors for more opportunities for African Americans in the company to pursue their dreams and hopes."<sup>1</sup>

As a percentage, Sodexo employs fewer African Americans than the Food Service or Janitorial industries overall.

The consent decree required Sodexo to continue some of its existing policies and trainings as well as implement new ones. These changes included a commitment to factoring diversity into the executive bonus plan as measured by the "Sodexo Diversity Index" and a scorecard system. The requirements also included conducting an annual three-hour "Champion of Diversity" training for executives, and investigating any discrimination complaints lodged by managers through its Office of Employment Rights.<sup>2</sup>

As the expiration date for the consent decree nears, it is not clear that McReynold's hope has translated into real change at Sodexo. The company promotes itself as a leader in diversity and has used the policies required by the consent decree to bolster its claims. Behind the rhetoric, the face of the Sodexo's management is virtually unchanged since the settlement. In fact, the proportion of African American managers at Sodexo has increased by less than 1 percent since 2004.

While the settlement and consent decree have focused on management-level employees, front-line workers are now speaking out about abusive practices and an environment that discourages their advancement within the company. Workers organizing with the Service Employees International Union (SEIU), which represents more than 100,000 food service workers, are calling on Sodexo to address the lack of respect front-line workers face on the job and create a career path into management for front-line workers.

#### **About Sodexo**

Sodexo is a global food service and facilities management company based in France. Sodexo is ranked among the top 25 employers in the world, with more than 355,000 employees in 80 countries. Even during the economic downturn from fiscal year 2008–2009, Sodexo's overall revenues increased by almost 8 percent to almost \$20

billion, and their operating profit grew by more than 8 percent. Sodexo operates in many types of settings, including higher education, healthcare facilities, and K-12 schools. In some parts of the world, Sodexo partners with companies to provide services at controversial operations, including private prisons and remote mining camps.

### Lawsuit history

In 2001, a group of current and former African American Sodexo managers filed a class action lawsuit on behalf of 2,600 current and former African American Sodexo managers. The plaintiffs alleged that African American managers were denied opportunities to advance into upper management positions. They further alleged they were disproportionately assigned to "black accounts" such as Historically Black Colleges and Universities or healthcare facilities in predominantly African American neighborhoods, and were rarely promoted outside of those accounts.<sup>3</sup>

The plaintiff's statistical expert reviewed Sodexo's workforce data and concluded that African Americans received fewer promotions than they would have in a non-discriminatory system, and that the likelihood of this occurring without race being a factor was less than one in 82 billion. The statistician also determined that black managers were two to three times more likely as white managers to report to an African American district manager, supporting the plaintiffs' belief that they were segregated by race into "black accounts."

The testimony upon which the case was built recounted multiple instances of alleged racial discrimination, some of which indicated that upper management were aware of the problems.

- Kelly Humes, a white former district manager, testified about derogatory statements about African Americans, attributed to a white upper level manager, who allegedly said that "African Americans were genetically inferior to whites, and genetically most of the criminals in the world were African Americans, and that they didn't deserve to have promotions."
- Ellen Early, a plaintiff who quit a lower level management position, said that a white Sodexo executive refused to let her look at the company's workforce composition data during a diversity meeting: "The executive said to me that he could not fax the information to me. And when I stated why, he said, well, because the numbers really don't look very good ... He said, we're not—we're not letting any of this out."
- Another plaintiff recalled a statement by a Sodexo human resources manager at a conference that there was no point in training other HR managers to recruit more African American managers because "our district managers won't hire [black people]," to which others at the conference—including a corporate vice president—allegedly agreed.

**The Plaintiff's statistical expert reviewed Sodexo's workforce data and concluded that African Americans received fewer promotions than they would have in a non-discriminatory system, and that the likelihood of this occurring without race being a factor was less than one in 82 billion.**

**"If Sodexo truly wanted to be a diverse organization, the company should promote its front-line workers."**

*— Cynthia Carter McReynolds*

### Settlement

On April 27, 2005, one day before the case was scheduled to start jury selection, Sodexo agreed to pay \$80 million to settle out of court.<sup>4</sup> While admitting no wrongdoing, Sodexo agreed to a consent decree to overhaul its diversity practices. The consent decree laid out a framework for management training, job postings, a discrimination complaint process, a bonus structure that includes diversity metrics, and monitors tasked with overseeing the consent decree for its five-year duration<sup>5</sup>.

The lead plaintiff, Cynthia Carter McReynolds, expressed hope that the settlement would create changes. "I think this case will pry open the doors of opportunity not only for me but for all who follow. I'm more hopeful than ever."<sup>6</sup>

### Rhetoric vs. Reality

Sodexo has used the requirements of the settlement to bolster its public image and to actively pursue clients that require or value diversity. Sodexo has presented itself as a "diversity leader" in press releases, advertisements and interviews, touting as its own initiatives many of the consent decree requirements, including promoting minority employee networking groups and linking 25 percent of management bonuses to a "diversity score-card." Sodexo USA CEO George Chavel proclaimed recently that Sodexo is a "leader among many leaders in the space of diversity inclusion."

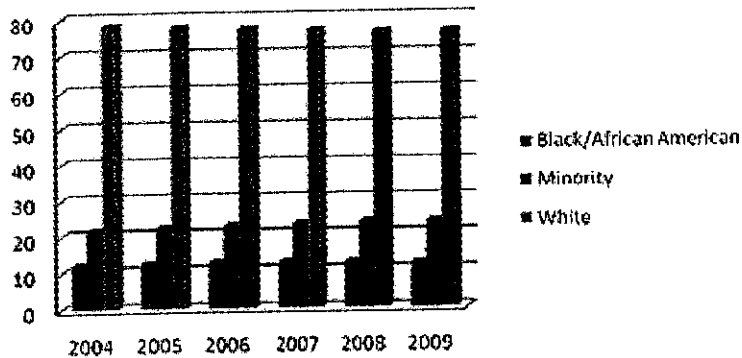
In the company's 2009 "Diversity and Inclusion Report," Sodexo highlighted its growth rates for minority and female managers. According to the report, "the minority management population increased by 15 percent and the female population increased by 8 percent compared to our fiscal year 2004 baseline."<sup>7</sup>

### Putting Sodexo's Percentages in Perspective

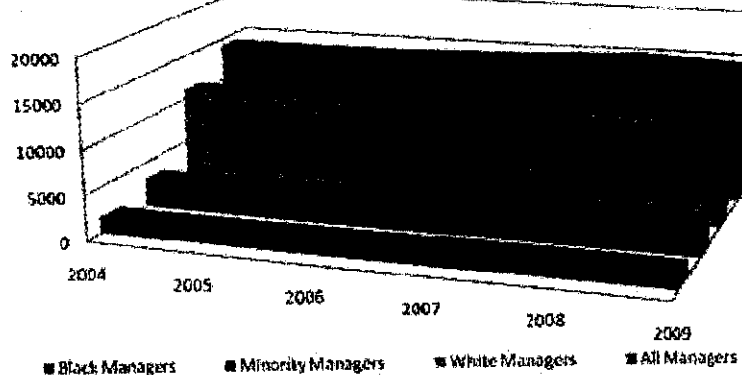
The increased percentage of minority managers may seem impressive, but Sodexo fails to mention the total number of managers at the company grew in the same time period. By not presenting the context of the overall management growth, Sodexo misrepresents its progress in hiring minority managers.

In fact, the percentage of minority and female Sodexo managers has not changed substantially since 2004. The proportion of African American managers has increased less than 1 percent between 2004 and 2009 while the overall proportion of minority managers has increased by only 2 percent over the same period.

	2004	2009	% Change
Proportion of African American managers	12.16%	12.30%	0.14%
Proportion of minority managers	21.73%	23.74%	2.01%
Proportion of female managers	43.32%	44.62%	1.30%

**Percentage of Managerial Employees by Race****Industry Comparison**

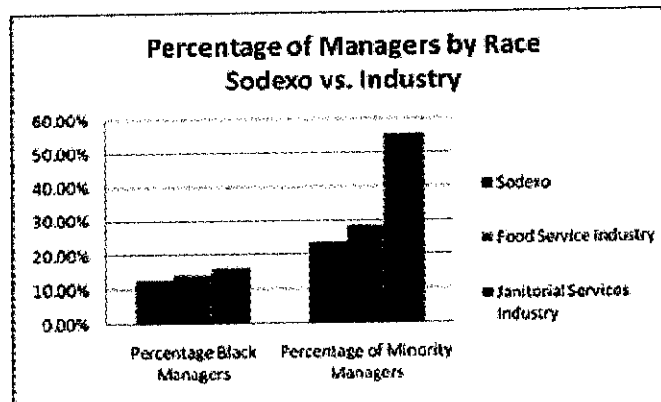
While Sodexo may not acknowledge the proportion of African Americans in management has barely budged since the lawsuit was filed, it has included references to census and other government data to bolster its diversity claims. In 2005, Sodexo spokeswoman Leslie Aun said, "Sodexo exceeds the labor pool for African American managers,"<sup>8</sup> a claim that Sodexo reiterated in a recent letter that stated that the 12.3 percent African American representation in management is "above the availability for African Americans in management which is 11.4 percent."<sup>9</sup> In a recent interview, Rohini Anand, vice president for diversity, said that Sodexo is doing better than most companies when you consider official census figures showing the number of qualified minorities available in the workforce.<sup>10</sup>

**Number of Sodexo Managers by Race**

A more relevant comparison may be the industries in which Sodexo operates. Compared to the food service and janitorial services industries, the two main industries in which the company operates, Sodexo's minority representation is lower than the minority representation in those overall industries.<sup>11</sup> As a percentage, Sodexo employs fewer African Americans than the food service or Janitorial industries overall. This trend is more dramatic when looking at the overall representation of minorities in management positions, where Sodexo trails the food service industry by almost 5 percent and lags behind the janitorial industry by a whopping 32 percent.

## 6 | Missing the Mark: Revisiting Sodexo's Record on Diversity

	Sodexo	Food Service Industry	Janitorial Services Industry
Percentage Black Managers	12.65%	14.00%	15.90%
Percentage of Minority Managers	23.32%	28.08%	55.47%



### Diversity Awards

Sodexo has reportedly sought awards and recognition for its diversity initiatives from various organizations across almost every major minority constituency.<sup>12</sup> Its efforts appear to be bearing fruit, with numerous awards featured on its annual "Diversity and Inclusion" report, on its Web site, and in the company's own press releases.

Fifteen of the awards listed on the company's Web site for 2009 are related to diversity policies.<sup>13</sup> Six of the 15 awards are from Diversity Inc., a publication and consulting company that focuses on corporate diversity. Sodexo is both a client<sup>14</sup> and a sponsor of Diversity Inc.<sup>15</sup> According to Luke Visconti, a founder of Diversity Inc., it is common for companies to publicly validate their diversity credentials in the wake of a high-profile discrimination lawsuit.<sup>16</sup> Indeed, most of the corporate sponsors of Diversity Inc.'s Web site have themselves faced high profile age, gender or racial discrimination lawsuits.

An additional seven diversity awards came from similar business magazines, including Worklife Matters, Latina Style, and Black Enterprise magazine. Sodexo's earned a spot on the Black Collegian magazine's "Top 100 U.S. Employers" list based on "their projected number of entry-level hires at the bachelor's and master's degree levels and the number of campuses they recruit on."<sup>17</sup> Sodexo appears to have only received one diversity award from an independent not-for-profit, the LGBT advocacy group Human Rights Campaign.

### Front-line Workers' Experience

While the Sodexo discrimination lawsuit focused only on managers, recent reports from front-line workers suggest they face similar challenges as the McReynolds plaintiffs. Many front-line workers report there is little or no opportunity for advancement, even for workers who have been on the job for years or who have clearly demonstrated the skills to do management level work. Some have experienced overt discrimination or racism, while others report a pervasive feeling of disrespect from their supervisors.

Front-line workers are not given real opportunities for advancement, and often feel that they are discouraged from trying to move up in the company. Joyce and Anthony, both from Tulane University, and Linda, a worker at Morehouse College, expressed frustration about the lack of advancement for front-line workers.

- Joyce Bradley has been an employee on the Tulane campus for nearly 40 years. "Since this is a prestigious college, I bragged that I worked at Tulane University and the people that I've met over the years. I was hoping to move my way up—and climb the ropes—to management. I was glad to be working at a university. We had benefits when I started, like hospitalization." Joyce said that in her 40 years, there was limited opportunity for advancement, "I feel like there was never an opportunity or offering for me to move up. There is no support or training at Sodexo."
- Anthony Thomas, another worker from Tulane, has also tried unsuccessfully to advance. "I started off as a dishwasher in the LBC. But I wanted to move up and management told me there was a cook position in the WOW. I see that cooks are treated better and earn more. Instead, I was put on utility, and I decided to stay and see if I would have the opportunity to move up." Anthony expressed frustration for not being compensated for a job well done. "Anything they asked me to do, I did it well. And a manager once said, 'You're the man.' I said thanks, but why don't you show me that in my check. And she just walked away. It made me feel like I committed a crime."
- Linda, an African American woman, had been working in the Morehouse College dining hall when she was asked to become a supervisor. Although she went to special trainings off campus and on campus to be a supervisor, she never received a raise and when a new manager took over the department her hours started to get cut. The new manager told Linda in front of the HR rep that he cut her hours and gave most of the hours to the other supervisor "because he thought the job was more manly." Linda said, "I've known there are a lot of jobs on Sodexo Net that were management jobs that I had the experience for, but I felt that I would not get the jobs because of the attitude of the male managers."

"I feel like there was never an opportunity or offering for me to move up. There is no support or training at Sodexo."

**"I know Sodexo speaks about being honest and open, and they say that you can talk to them about anything. But I had no idea why I was laid off. It was done without my knowledge or with anyone speaking to me as an adult."**

While many workers we have spoken to feel that the general environment at their worksite does not match Sodexo's stated policies for diversity and inclusion, several workers have come forward with instances of racism at their worksite.

- George Spivey, a food service worker at George Tech, had held management positions at other food service companies. He witnessed a general manager refer to African American workers as "monkeys." George stated, "It bothers me to even talk about it, because I feel that you cannot just talk to people like that. But what was most astonishing was that employees who were there who heard it thought it was a joke—including some of the supervisors. I asked for the 800 number from Sodexo, and of course, they were reluctant to give it to me." George filed a complaint with human resources. The manager was later moved from the account, but that person is still in a management position at a nearby university in Atlanta.
- Rubynell Walker Barbee, an African American woman, was a catering sales coordinator at Morehouse College for 18 months. She liked the hours and working with the customers, but one manager, the executive chef, was a problem. Ruby said the executive chef, a white man, "had been very, very provocative. He has pulled down his pants and showed me his behind. He has used the n-word. He always has this thing about 'you people' referring to us being different than him. I went to human resources and I told her about it and I spoke with the GM about him using the n-word and he [the GM] said because of the fact that he has some black in him it was OK." In November 2009, Ruby received a layoff notice. No one told her the reason for the layoff, but when she was asked to return in January 2010 a different woman had her position and she was told to do a variety of duties in the faculty dining room such as clear tables, make salads and handle money. When she asked HR for an explanation, she never received one.

### **Moving Forward**

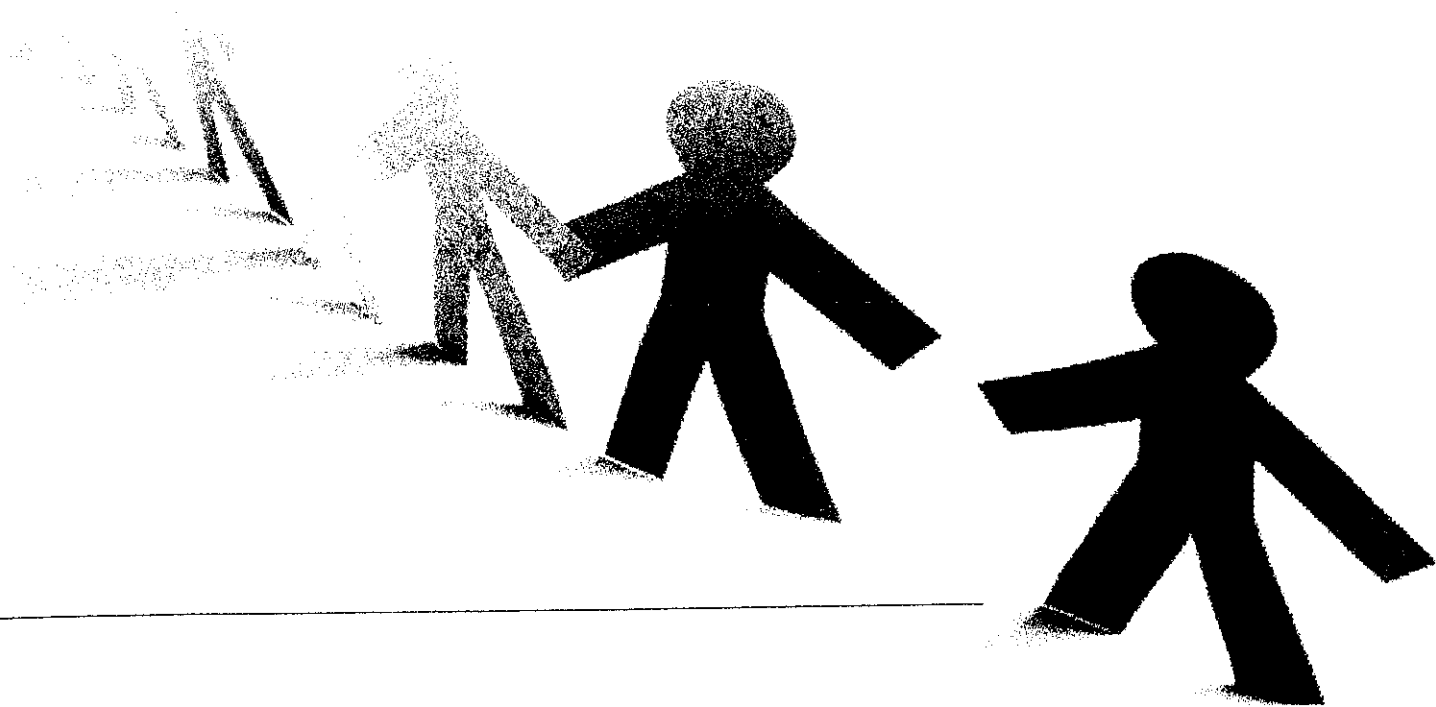
As Sodexo's legal obligation under the consent decree comes to an end, front-line Sodexo workers are still looking for meaningful change in their workplace. Workers such as George and Ruby have already spoken about discriminatory practices they have experienced with Sodexo. By sharing their stories, they hope to encourage other Sodexo workers to come forward.

Workers who wish to report discrimination in their workplace are encouraged to tell us their story. A hotline has been set up where workers can leave their information, and a representative from SEIU will return calls to arrange a time to talk in more detail. Workers can also submit their stories online. All information will be kept confidential unless workers wish to proceed with a formal complaint.

Hotline: 202-730-7185

Web site: [www.cleanupsodexo.org/discrimination](http://www.cleanupsodexo.org/discrimination)

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- 3 Settlement Agreement and Consent Decree. McReynolds v. Sodexo Marriott Services, filed May 2, 2005.
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## Notes



# **EXHIBIT 17**

## Can You Count on Your Contractor?

SEPTEMBER 14, 2010 4:01 PM 0  
BY BRAD LEVINSON

For school administrators whose first priority is ensuring the children in their school district get the best education possible, it's common to hire contractors to handle auxiliary services such as food service, custodial and maintenance work. Contractors promise to deliver better service at lower cost, with the goal of freeing up tight district budgets as well as scarce administrative time to focus on the district's core educational mission.

However, some school districts--including many who contract with Sodexo--have found themselves trapped in a situation where outsourcing creates more headaches than it solves either because of poor financial performance or poor management and staffing practices. You can learn from their experience--and from a few key tips from the experts.

Click here to download our report: *Can You Count On Your Contractor: How Sodexo's troubled record leaves school districts footing the bill*

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# **EXHIBIT 18**

**CLEAN UP SODEXO**

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Zip Code

**SIGN UP**

**BLOG ABOUT US POOR MANAGEMENT QUALITY OF SERVICE MISPLACED PRIORITIES ANTI-WORKER RECORD MEDIA**

**WORKERS HIGHER ED PARENTS EDUCATORS**

**EN FRANÇAIS**

## How Sodexo Contributes to Poverty in the United States

Brad Levinson 12:58 PM - January 20, 2010 | [0 Comments](#)

This week, the National Conference of Mayors (USCM) will be standing with Sodexo to release a report assessing economic recovery and job growth. Sodexo has sponsored reports on poverty issues for the Mayors Conference since 2003.

As we've mentioned on this site before, Sodexo has become quite good at portraying itself as a socially responsible employer, and the sponsorship is one piece of a broader public relations campaign to promote itself as the company working to end poverty in the U.S.

But what they won't say, and what the Mayors' report won't tell you, is that **Sodexo's own employee practices can leave workers in poverty and shift costs to taxpayers.** Based on the company's pay-scale, Sodexo seems not to care if taxpayers pick up the tab of feeding a very important group within the Sodexo family: **the children of its employees.**

We believe, quite simply, that for Sodexo, solving hunger and poverty must start at home. So, as the conference begins, we're **releasing a counter-report to reveal the true story about Sodexo's "commitment to poverty."**

Here are the report's key findings:

- Sodexo employees who work full time year-round making \$8.27 per hour, earn just \$17,202 per year, **far below the poverty line for a family of four.** Even an employee who earns \$10.54 an hour fails to climb above the poverty line, making just \$21,923 per year. Many of Sodexo's employees work closer to 38 weeks per year, which also has a tremendous impact on income, and have to apply for unemployment during holiday breaks.
- While Sodexo helps deliver meals to low-income children through the National School Lunch Program, the **children of many of its employees could qualify to receive free and/or reduced price meals**, as these programs are based on federal poverty guidelines.
- Sodexo employees working year-round making \$8.27 per hour would have to work **86 hours a week--more than two full-time jobs--just to afford an apartment**, based on the generally accepted affordability standard of paying no more than 30 percent of income for housing costs.

You can view and download the full report [by clicking here.](#)

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Categories: Blog | Tags: anti-worker record, corporate social responsibility, csr, hunger, misplaced priorities, poverty, poverty wages, sei, sodexo, sodexo, us mayors, usmc, wages

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Comments (You may use HTML tags for style)

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Sodexo Workers' Poverty Tour: Columbus, Ohio

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# **EXHIBIT 19**



**CLEAN UP SODEXO**

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BLOG ABOUT US POOR MANAGEMENT QUALITY OF SERVICE MISPLACED PRIORITIES ANTI-WORKER RECORD MEDIA  
WORKERS HIGHER ED PARENTS EDUCATORS EN FRANÇAIS

## New Report: Profits First, School Kids Last

Kevin O'Donnell 3:26 PM - April 9, 2010 | 0 Comments

At a time when schools are facing unprecedented cuts in teachers, staff, and educational programs, school workers and supporters are protesting excessive profits of more than \$1 billion by multinational food and facilities service operator Sodexo, a major sponsor of the National School Board Association Conference being held in downtown Chicago.

"Sodexo had more than a billion dollars in profits last year, including money made from struggling schools" says Laura Garza, Vice President of SEIU Local 1. "That money would have benefited kids a lot more if it had stayed in our local communities."

Protesters are delivering a report, "Profits First, School Kids Last: Exposing the High Cost of Sodexo," to conference officials at the Palmer House Hilton Hotel. The report outlines how Sodexo, which provides food service to more than 2.3 million children nationwide, eats into government budgets by failing to provide livable wages and affordable healthcare. You can read the full report by [clicking here](#).

Report highlights include:

- While schools struggled to make ends meet, Sodexo's 2009 revenues were up 7.9% (to \$19.85 billion) and its operating profits were up 8.1% (to \$1.009 billion). Sodexo's education segment brought in \$4.5 billion in fiscal year 2009.
- Despite Sodexo's sophisticated "anti-hunger" public relations operations, many Sodexo workers, paid as little as \$7.50 per hour, qualify for federal food assistance programs, including the Supplemental Nutrition Assistance Program (SNAP, what used to be known as food stamps); the Special Supplemental Nutrition Program for Women, Infants, and Children (commonly known as WIC); and the National School Lunch Program.
- Sodexo does not offer affordable health care options to its service workers. Two-thirds of non-managerial Sodexo employees in the United States are not covered by health insurance offered by the company. Many without coverage are forced to rely on government health programs, local emergency rooms, and private charity care.
- Estimated profits from a Sodexo cleaning contract in Philadelphia could have been used to hire 87 teachers last year.
- In January 2009, Sodexo CEO Michel Landel said of the recession, "This crisis can constitute an opportunity for us." words that now appear prophetic. While schools struggled, Sodexo's North American Education segment grew by 4.5% and is poised to grow further. The France-based company paid between \$15,000 and \$35,000 to use the school board association meeting as a marketing opportunity.

You can read the full report by [clicking here](#).

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# **EXHIBIT 20**



Everything Jersey

## N.J. school districts overpaid food service management firms by more than \$320K, study says

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By **Bob Considine/The Star-Ledger**



Stephen Briggs/For The

Star-Ledger Student Pat Duane uses the Cougar Deli at Chatham High School in this September 2009 file photo. The School District of the Chathams is the newest New Jersey district to hire Chartwells food service. A report says that school districts are overpaying food service management firms, suggesting that the charges Sodexo and Chartwells levy on schools for workers compensation and liability insurance exceed the actual cost of obtaining insurance. Ten New Jersey school districts overpaid more than \$320,000 in payroll costs to private food service management companies, according to a study commissioned by a service workers union and released today.

SEIU Local 32BJ, with 8,300 New Jersey members, hired Clarion Group Ltd. to analyze contracts and financial data provided by 10 school districts that outsource their food services to two private corporations, Maryland-based Sodexo Inc. and North-Carolina-based Chartwells, a subsidiary of Compass Group. The study was conducted mostly during the 2008-09 school year.

The report indicates the charges Sodexo and Chartwells levied on schools for workers compensation and liability insurance exceeded the actual cost of obtaining the insurance. It claimed that in three school districts — Bergenfield, East Windsor and Marlboro — Chartwells overcharged \$51,979 for workers compensation insurance.

They found the companies used similar tactics in other markets to

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inflate costs, according to Tom MacDermott, who researched and wrote the report for the Clarion Group from last November to March. "They were charging more for certain overhead items than they actually incurred."

A spokesperson for Compass Group said company officials are still reviewing the report, but said "it appears to be based on assumptions and incomplete data that we cannot validate until further review."

"Chartwells' business conduct is guided by the highest standards of integrity and responsibility and we adhere to federal, state and local regulations when we bid on school district contracts," said Cheryl Queen, vice president of corporate communications with Compass Group North America.

Edison school board secretary and school business administrator Daniel Michaud said he has trusted Chartwell's business practices and is pleased with the deal his district has with the company. Still, Michaud was surprised to learn of the report and said he would follow up with Chartwell for an explanation.

"If there's anything to check, believe me, we'll address it with them," he said. "And if there's any overcharging, I'll be going after them for it."

Clarion's report — "Hard to Swallow: Do Private Food Service Contractors Shortchange New Jersey Schools?" — covered 2.6 percent of the 378 school districts in the state that used private food contractors. The districts surveyed were Bergenfield, East Windsor, Edison, Hamilton, Marlboro, Long Branch, Piscataway, Southern Regional, West Orange, and West Windsor-Plainsboro.

According to MacDermott, some of the districts surveyed could have secured better deals with the food management companies if they allowed time in the process to obtain competitive bids, according to MacDermott.

In one instance, MacDermott said, the West Orange school district issued an undated 45-page bid guideline for the 2009-10 school year that required bidders to attend a tour of the district's food services facilities on June 25 and submit proposals three business days later for a contract that began on July 1.

"The state recommends a 45-day period," MacDermott said. "That's probably a little excessive, but three days to put together a \$3 million piece of business is a little tough."

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Governor Chris Christie addressed the State Assembly in Trenton to outline his first state budget proposal. (Video courtesy of News 12 New Jersey)

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